



# Putting the Guidance Documents (HOA + MOU) in Context

*A Presentation to the Fairbanks Chamber of Commerce*

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Department of Natural Resources

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Joe Balash  
Commissioner

Department of Revenue

Michael Pawlowski  
Deputy Commissioner

# Where We Are Today?



Pt. Thomson Settlement  
Joint Work Agreements



Concept Selection

SB 138  
Jan- April  
2014

Pre-  
FEED



**AGIA:**  
State: ~\$330 million  
APP (TransCanada & EM):  
~\$130 million

**Denali**  
(BP & CP)  
~\$200 million

State / TC MOU

Heads of Agreement

**GO**  
All AGIA and Denali work is contributed to AKLNG with passage of enabling legislation (SB 138).  
State & TransCanada mutually abandon AGIA license.  
No more reimbursement.

**Stop:** does State buy \$130 million of APP data?

AGDC ASAP Advancing to 2015 Open Season (sharing w AKLNG)

# Guidance Documents & SB 138

## Heads of Agreement (HOA)

- Describes roadmap to advance project through phased process.
- Describes understanding and consensus on key terms.

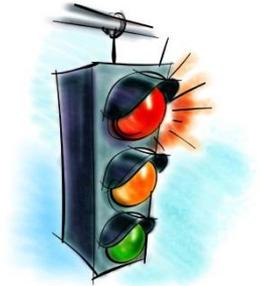
## Memorandum of Understanding (MOU)

- Describes agreement to transition from AGIA License to a more traditional commercial relationship.
- Describes key commercial terms for that relationship.

HOA and MOU  
Describe how SB 138  
would be used.

## Senate Bill 138

- **Participation** in the AKLNG Project.
- **Percentage** of State Gas Share and Participation in the AKLNG Project.
- **Process** for development of Project Enabling Contracts and **Legislative oversight and approval** of future contracts.

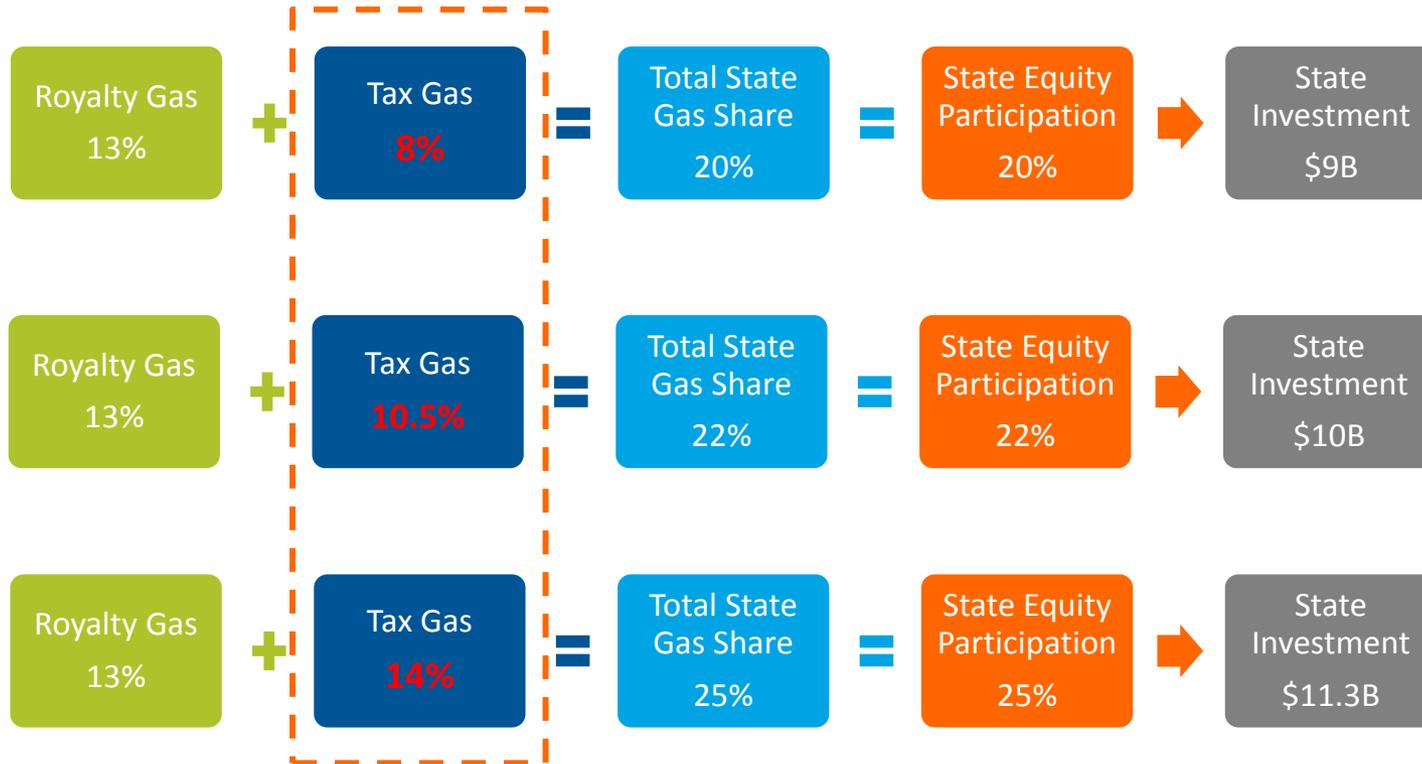


Legislature  
decides whether  
to advance or  
not.

# GROSS TAX RATE SETS THE TOTAL STATE GAS SHARE & EQUITY PARTICIPATION



VALUE TO SOA



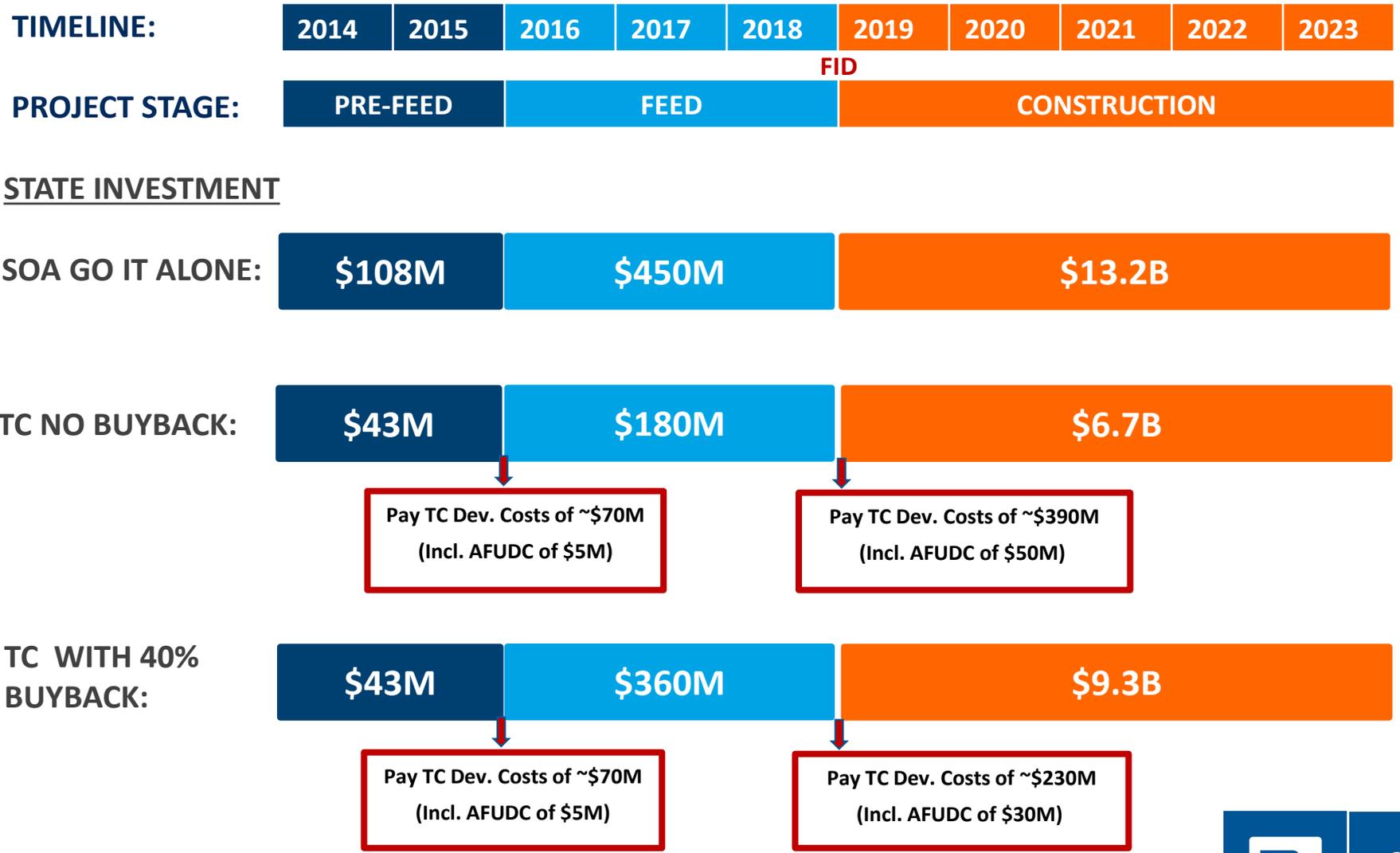
# OPTIONS IDENTIFIED BY STATE FOR EQUITY PARTICIPATION

|                          | GTP       | Pipeline | LNG Plant |
|--------------------------|-----------|----------|-----------|
| SOA Alone                | SOA : 25% | SOA: 25% | SOA: 25%  |
| SOA + TC<br>No Buyback   | TC: 25%   | TC: 25%  | SOA: 25%  |
| SOA + TC<br>with Buyback | TC: 15%   | TC: 15%  | SOA: 25%  |
|                          | SOA: 10%  | SOA: 10% |           |

\* Assumes 25% State equity participation



# IMPLICATIONS OF OPTIONS AND POTENTIAL OFF RAMP

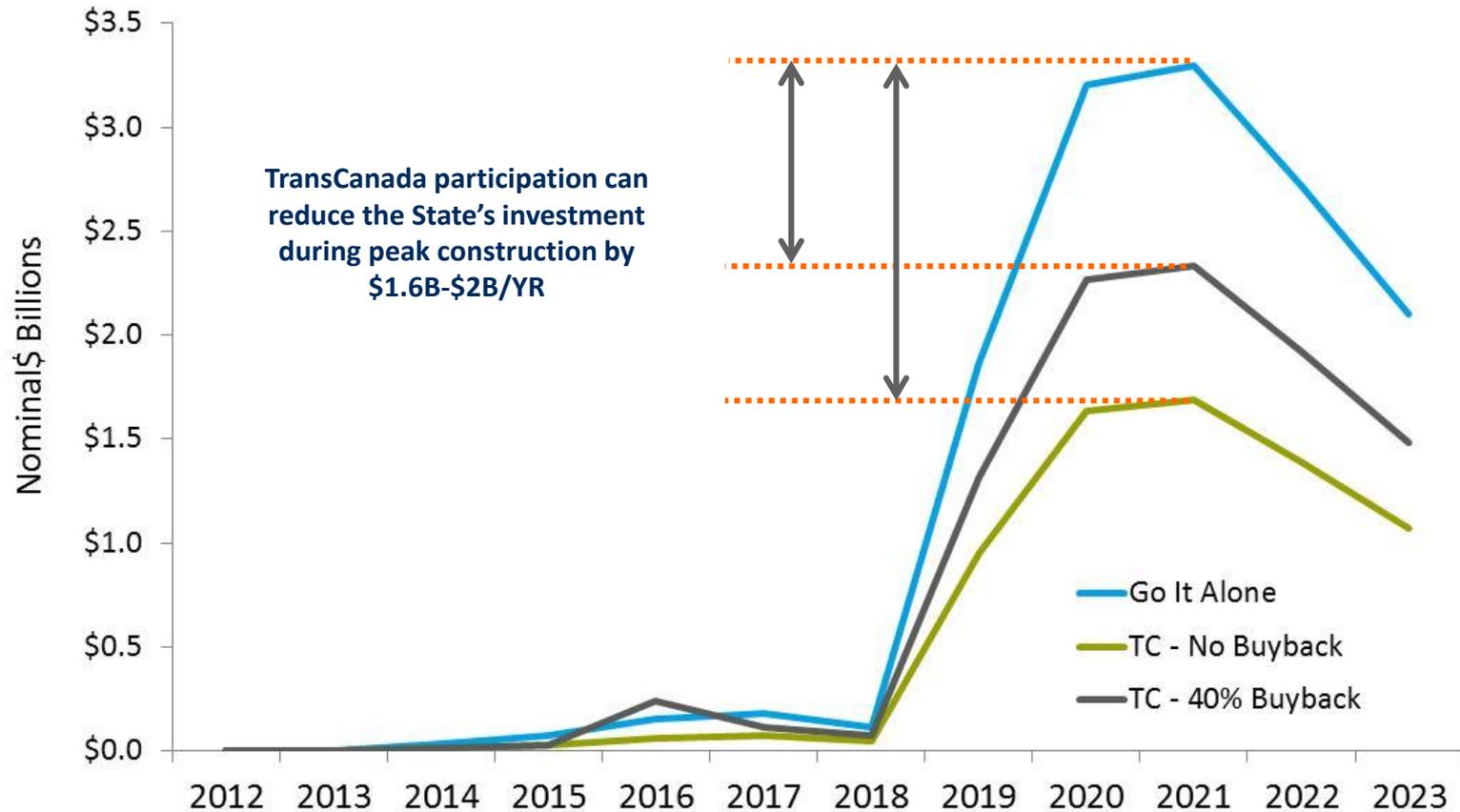


\* Assumes 25% State equity participation

# SOA UPFRONT CAPITAL COST EXPOSURE IS REDUCED THROUGH TC PARTICIPATION



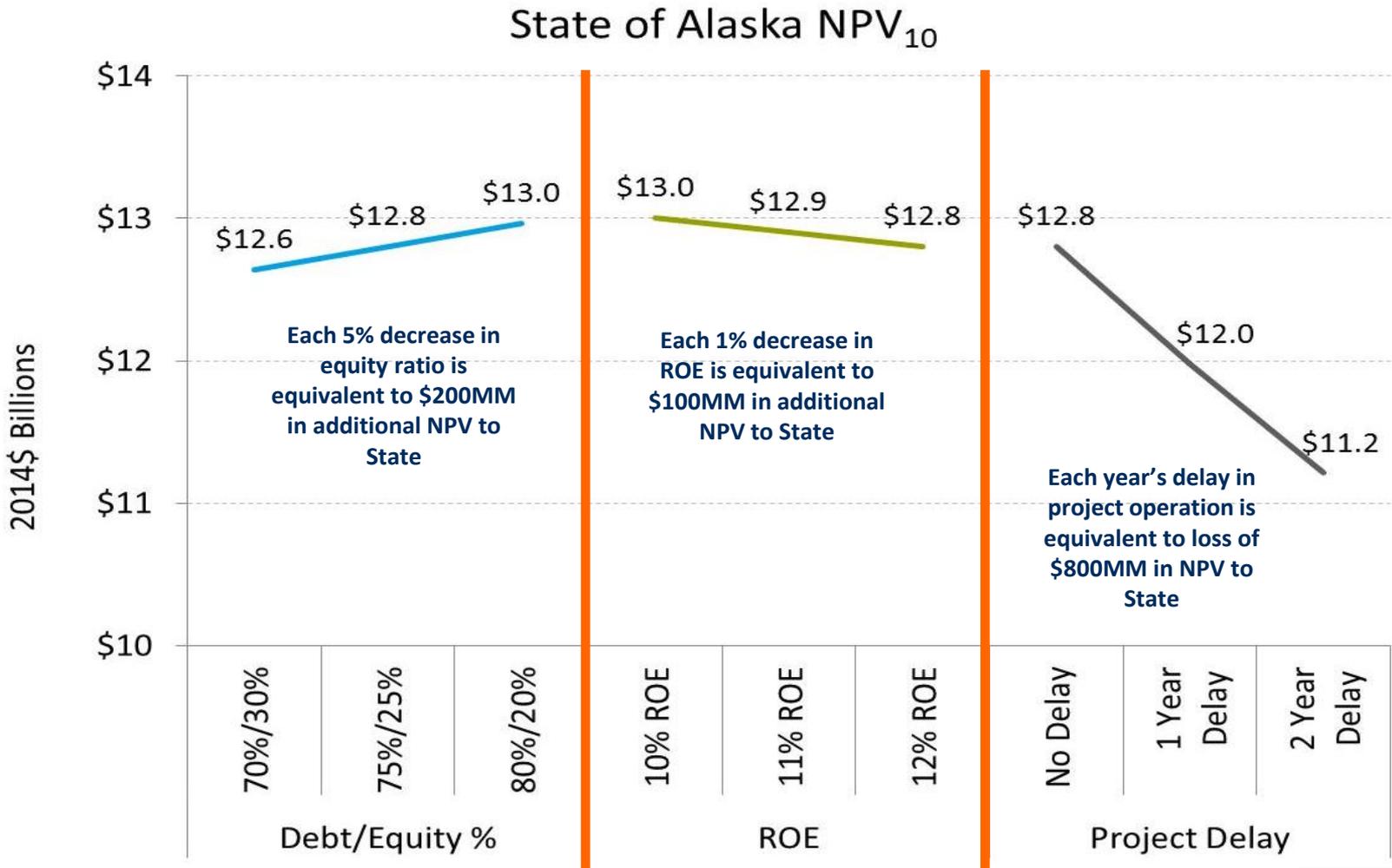
STATE OF ALASKA ANNUAL INVESTMENT



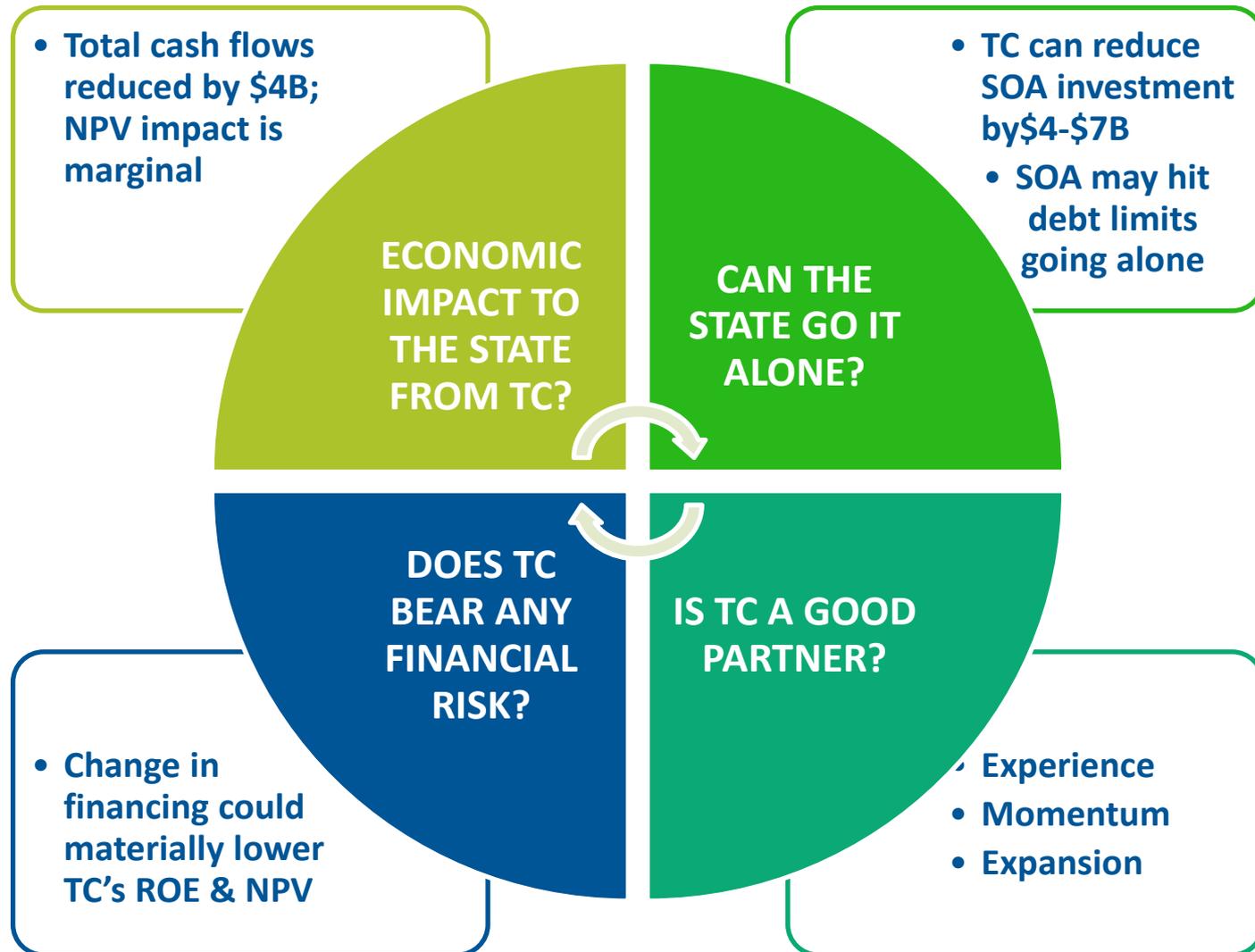
\* Assumes 25% State equity participation



# RETAINING MOMENTUM ON PROJECT COULD BE MORE VALUABLE THAN SECURING BETTER COMMERCIAL TERMS



# SUMMARY ON 4 KEY QUESTIONS

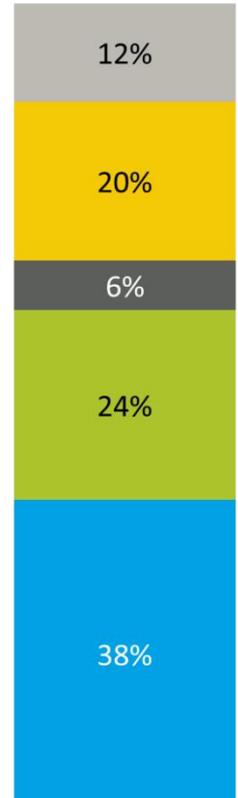
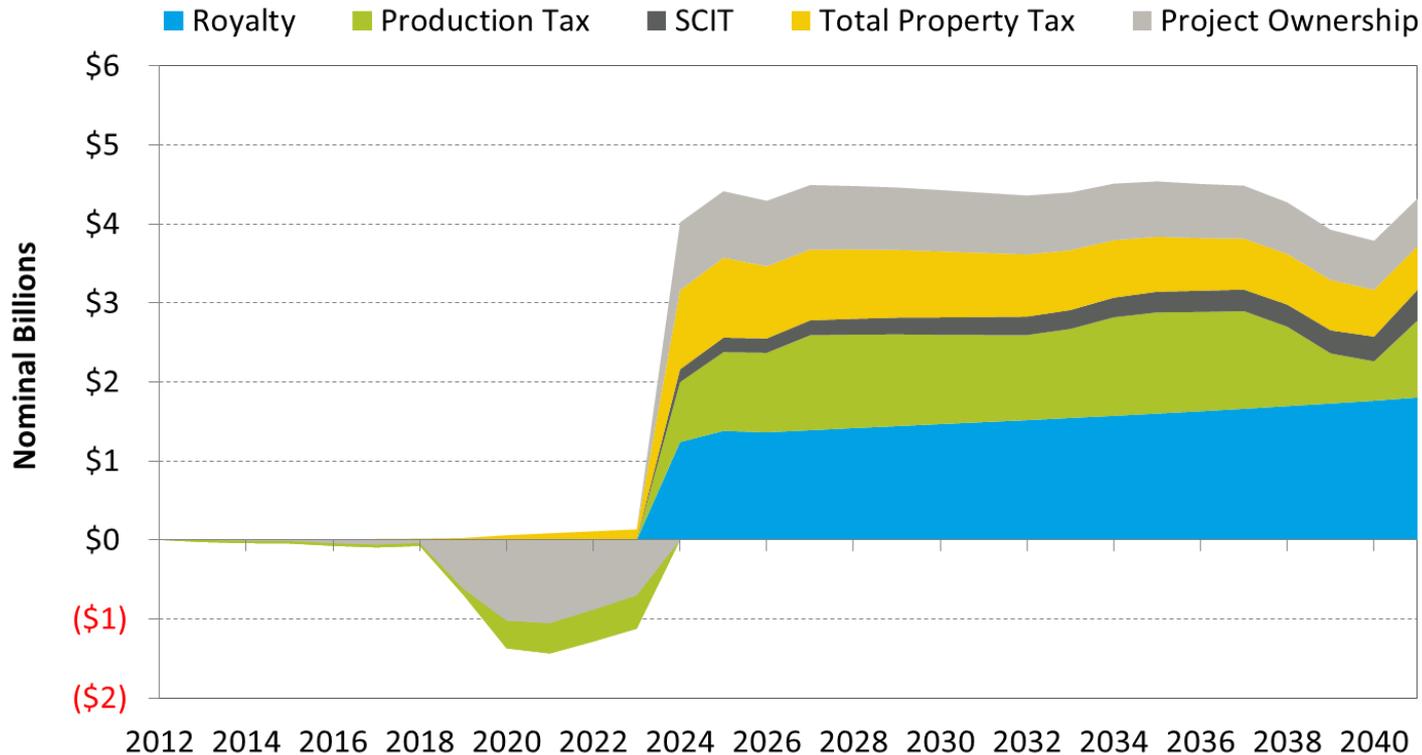


# PRESERVE VALUE TO STATE FROM ROYALTY & TAXES



VALUE TO SOA

State of Alaska 25% Equity Alternative Annual Cash Flow



**Total Cash Flow (Through 2041) = \$72 Billion**



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# Summary

- The Heads of Agreement (HOA) and Memorandum of Understanding (MOU) provide guidance on how the powers provided in SB 138 will be used.
- At each stage in the project there are “off-ramps” and decision points for Legislative and public review.
- Commitments by the State will be made commensurate with progress by the project.

# THANK YOU

Please find our contact information below:

Michael Pawlowski  
Deputy Commissioner  
Department of Revenue  
[Michael.Pawlowski@alaska.gov](mailto:Michael.Pawlowski@alaska.gov)

Joe Balash  
Commissioner  
Department of Natural Resources  
[Joe.Balash@alaska.gov](mailto:Joe.Balash@alaska.gov)

## Resources

<http://dor.alaska.gov/AKGasDocs.aspx>

[www.dnr.alaska.gov/AKgas.htm](http://www.dnr.alaska.gov/AKgas.htm)

